GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:1616
ANSWERED ON:14.03.2005
BRING DOWN COST OF PRODUCTION OF UREA
Badiga Shri Ramakrishna

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether a major part of fertilizers, subsidies goes to producers not to the farmers;

(b) if so, the total subsidy provided to Urea producers;

(c) the cost of production of Urea in indigenous factories compares with the international prices of Urea;

(d) whether the Government has studied the reasons for high cost of domestic production of Urea;

(e) if so, the details thereof; and

(f) the effective measures being taken to bring down the cost of production?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS & MINISTER OF STEEL(SHRI RAM VILAS PASWAN)

(a): Since urea, the only controlled fertilizer and decontrolled phosphatic and potassic fertilizers, are made available to all farmers at the statutorily notified Maximum Retail Price (MRP) and indicative MRPs respectively and the cost of production is generally higher than the MRP/indicative MRPs , the benefit of subsidy/concession is passed on to the farmers in the form of low sale price in comparison to cost of production of fertilizers. Payment of subsidy to fertilizer manufacturing units is only a mechanism for making available fertilizers to farmers at subsidised selling prices.

(b): While an amount of Rs. 8521 crore during 2003-04 was paid towards subsidy on indigenous urea, a provision of Rs. 10143.15 crore has been made for 2004-05 (RE) for subsidy on indigenous urea.

(c): At present, the cost of production of indigenous urea is less than the cost of imported urea as while the present weighted average cost of production of indigenous urea is Rs. 8494 per metric tonne, the cost (C & F) of imported urea is Rs. 11073

(d) to (f): The cost of production of urea is dependent on the type of feedstock used and its cost. The costlier the feedstock, more the cost of production of indigenous urea. As the cost of naphtha, fuel oil(FO)/low sulphur heavy stock(LSHS) is much more than that of natural gas, the cost of production of naphtha and FO/LSHS based urea units is more than the cost of production of gas based urea units. On account of the efficiency and environment friendliness of natural gas (NG)/liquefied natural gas (LNG), the Government has formulated a policy for conversion of existing naphtha/FO/LSHS based urea units to natural gas/LNG as feedstock. With a view to encouraging switchover to NG/LNG as feedstock, the investor is assured that savings on account of energy efficiency after conversion would be retained by the plants for a maximum period of 5 years in respect of naphtha based plants and 10 years in respect of FO/LSHS based plants.